HAWKE'S BAY AIRPORT LIMITED

INTERIM REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

Hawke's Bay Airport Limited
Directory

Directors
Wendie Harvey (Chair)
Sarah Park (Chair of the Audit, Finance & Risk Committee)
Jon Nichols
Craig Barrett (appointed 26 November 2021)

Chief Executive
Stuart Ainslie (resigned 3 December 2021)
Stephanie Murphy (Acting Chief Executive)

Chief Financial Officer
Rachel Orchard

Operations Manager
Gareth Mentzer (resigned 16 December 2021)
Debbie Suisted (commenced 10 January 2022)

Commercial/Property Manager
Ian Lowry

Customer Experience and Marketing Manager
Judi Godbold

Registered Office
Terminal Building
Hawke's Bay Airport
111 Main North Road
PO Box 721
NAPIER 4140

Bankers
ASB Bank Limited

Solicitors
Dentons

Auditors
Deloitte
on behalf of the Auditor General

HAWKE'S BAY AIRPORT LTD
PO Box 721, Napier 4140
admin@hawkesbay-airport.co.nz
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Hawke's Bay Airport Limited
Report to Shareholders
for the Half Year ending 31 December 2021

We report against the Hawke's Bay Airport's Statement of Intent ("SOI") targets, effective since July 2021.

Hawke's Bay Airport ("HBAL") entered FY22 in a strong position having experienced several months of pre-Covid-19 level passenger volumes. This changed overnight with the implementation of Level 4 restrictions on 17 August 2021 which resulted in no air movements at all for over two weeks, followed by minimal Christchurch and Wellington services only for several months until the Auckland route was reinstated on 15 December 2021. This is reflected in the results for the half year ending 31 December 2021 being below the SOI targets which were thought to be conservative when adopted.

Financial Performance Highlights

- Total passenger movements for the half year were 171,851 representing a 15% decrease on the same period last year and being 32%, or 81,260 less than budget.
- Lower than expected passenger volumes underpinned a 21% shortfall in passenger related aeronautical and commercial revenues, with passenger charges, car parking, café concessions and advertising all below budget.
- Non-passenger related revenue streams held up well throughout the period, albeit with little growth.
- Despite being 21% behind budget, total revenues were only 5% behind the same period last year due to a higher than expected per passenger charge from 1 July 2021.
- Total expenditure for the half year was 10% lower than budget and predominantly reflects a reduction in variable cost considering recent Covid impacts. Operating expenditure is 25% higher than the same period last year as aspects of the fixed cost base were recalibrated to position the business for post Covid-19 trading conditions which have been delayed.
- Due to these factors, EBITDA for the half year at $1.194m is $571k behind budget and 15% below the same period last year.
- Significant savings in borrowing costs of 19% have been achieved, primarily due to delayed cash outflows relating to the terminal expansion project.
- Despite closely controlled capital and operating expenditure and better than expected passenger charges, the net loss of $413k for the half year reflects the impact the shortfall of 81,000 passengers has on total revenue.
- In October 2021 the $23m term loan was changed to a Sustainability Linked loan of $23m which offers immediate cost savings and possible future savings based on achievement of specific performance targets. Total facilities remain at $28.5m (SLL $23m; RC $5m; OD $500k) with $26m drawn as at 31 December 2021. Deferral of non-critical infrastructure and completion of the terminal development has eased cash requirements however the Covid related impacts evident in early 2022 will necessitate a continuing focus on working capital requirements.

- Return on Equity for the first half of the year was budgeted to be around breakeven with the 2nd half of the year budgeted to bolster the annual result to a modest profit position. Full year forecasts performed pre-Xmas 2021 showed a possible break even result for the full year FY22, however with the effects of the Omicron outbreak now already evident in 2022, forecasts indicate that a break even result for the financial year will be very unlikely.

Performance Highlights & Other Activity

Terminal Development Project

The third and final stage of the terminal expansion project opened for public use on the 6 August 2021, with the HBAL Team moving into their new offices in late November 2021. The terminal expansion and forecourt projects have been impacted by the successive lockdowns with access to resources and supply chain challenges being experienced during the period. This is having an impact on the defects and outstanding supply items being delivered on the terminal.

In December 2021, HBAL awarded the contract to Higgins Contractors to complete the forecourt project. It is expected the forecourt project will be completed in April 2022 (subject to further resource and supply chain issues, with the final planting and exterior aesthetics complete during autumn.

Aeronautical Development

HBAL continues to advocate for the development of a regional transport strategy. This includes creating a small team to further bolster our aeronautical aviation development plans to support the recovery and growth of aviation, creating the business cases for new routes, aircraft seat capacity and air freight opportunities.

HBAL has continued working with Air NZ and partnering airport on developing potential new routes and infrastructure support for transition to emerging shifts in lower carbon aircraft technology. HBAL is pleased to have attracted Originair to Hawke's Bay who commenced direct services between Nelson in October 2021 and Hamilton in December 2021. Nelson enables inter-island connectivity outside of Christchurch and Wellington.

Safety Management

Again, in this report, it is pleasing to report Hawke's Bay Airport Construction Limited ("HBACL") has continued with nil lost time injuries reflecting a continued culture of safety on the terminal construction site.

People & Organisation

HBAL's Chief Executive Officer, Stuart Ainslie, departed the business on 3 December 2021. The recruitment process for a new CEO is in progress with an Acting CEO currently in place to manage the transition.

Other key staff changes include the recent departure of the Operations Manager on the 17 December 2022, with a new Operations Manager starting on the 10 January 2022.

The Airport Rescue Fire ("AFS") team was brought inhouse post 2020 Covid-19 period. Recently HBAL has commenced recruitment for additional resource to build further resilience into the team

and ensure HBAL is well placed to deal with issues associated with impacts of Covid-19 in H2 on the AFS team and ensure HBAL is well placed post recovery.

The HBAL Ambassadors were stood down from service on 17 August due to the Covid-19 restrictions. They will return when it is deemed safe and appropriate as we continue to monitor the current resurgence of Covid-19 in early 2022.

New Business Development

Napier City Council District Plan review

HBAL is actively participating in the Napier City Council ("NCC") District Plan Review. This process has been under way since early 2019. NCC released the draft district plan for public comment in August 2021. HBAL provided comments to NCC and continues to work with NCC (both staff and councillors) on this process.

Commercial Activity & Property Development

A key area of focus for HBAL continues to be revenue diversification into non-aeronautical aspects to assist with the business' recovery from Covid-19 and ensure longevity of the business. HBAL is mindful of the recently received Letter of Expectations from the Shareholding Minister (dated 21 December 2021) and ensuring the appropriate focus in the businesses recovery.

As previously reported, Ahuriri Aero Park, being Stage 1 of the property portfolio was released into the market at the end of July 2021. Although August 2021 Covid-19 lockdown restrictions impacted the release, HBAL (via its agent, Colliers and direct) has seen a good level of interest that is continuing.

Following the opening of the terminal, a second retail offering opened in December 2021, Belatinos, providing a distinctively Hawke's Bay offering. Early indications from trading by Bellatinos and Bay Espresso at full capacity since Covid-19 restrictions were lifted in mid-December, are that the offering is extremely well received.

HBAL continues to experience a steady uptake in the new digital advertising assets and has seen positive increased revenue streams.

Sustainability

HBAL continues to work on key initiatives to support our Airport Carbon Accreditation ("ACA") Programme Level 3 and 4 aspirations. Examples include the implementation of EV charging; climate change adaptation infrastructure review; materiality assessments and embedding sustainability into all aspects of HBAL business. Of note, HBAL's access to the ASB Sustainability Linked Loan is directly tied to HBAL's sustainability policy and ACA Level 3 and 4 accreditation targets.

Financial Reports

The unaudited Interim Financial Results to 31 December 2021 are included in this report. These include more detailed analysis of the Company's financial performance compared to its Statement of Intent budget, as well as a Summary of Financial Performance, Statement of Movements in Equity, Summary of Financial Position, Statement of Cash Flows, Accounting Policies and Notes to the Accounts.

Key Areas of Focus

The forecourt project, revenue diversification, including commercial and property development, Solar Farm Project, and prudent fiscal management, alongside potential Covid-19 Omicron implications, continue to be the primary focus for HBAL over Q3 and will remain so in the foreseeable future.

Wendie Harvey
Chair, Hawke's Bay Airport Limited

Hawkes Bay Airport Limited
FINANCIAL PERFORMANCE VS SOI OBJECTIVES
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	THIS YEAR				LAST YEAR			BUDGET
	HY Actual Dec 2021	HY Budget Dec 2021	Variance $	Variance %	HY Actual Dec 2020	Variance $	Variance %	Budget FY 2021/22
Passenger Numbers	*171,851*	*253,111*	*(81,260)*	*-32.1%*	*203,381*	*(31,530)*	*-15.5%*	*526,865*
FINANCIAL PERFORMANCE ($)								
Revenue								
Aeronautical	1,865,535	2,298,731	(433,196)	-18.8%	1,731,608	133,927	7.7%	4,805,066
Ground Transport	745,758	997,990	(252,232)	-25.3%	813,707	(67,949)	-8.4%	2,075,801
Business Park	207,420	197,994	9,426	4.8%	205,923	1,497	0.7%	445,989
Other Revenue	193,038	301,116	(108,078)	-35.9%	107,542	85,496	79.5%	606,897
TOTAL REVENUE	**3,011,752**	**3,795,831**	**(784,079)**	**-20.7%**	**2,858,781**	**152,971**	**5.4%**	**7,933,753**
Operating Expenses	1,817,912	2,031,303	213,391	10.5%	1,453,534	(364,378)	-25.1%	3,977,352
EBITDA	**1,193,840**	**1,764,528**	**(570,688)**	**-32.3%**	**1,405,247**	**(211,407)**	**-15.0%**	**3,956,401**
Depreciation & Amortisation	1,431,073	1,500,288	69,215	4.6%	1,201,653	(229,421)	-19.1%	3,039,247
Gain/(Loss) on asset disposal	2,000	-	2,000	-	-	-	0.0%	-
Interest Income	0	-	0	-	25	(25)	-100.0%	-
Interest Paid (charged to P&L)	238,530	294,429	55,899	19.0%	174,903	(63,628)	-36.4%	587,471
Profit before Tax	(473,764)	(30,189)	(443,575)	1469.3%	28,717	(502,481)	-1749.8%	329,683
Tax	(60,943)	(8,451)	52,492	-621.1%	78,016	138,959	178.1%	120,311
PROFIT AFTER TAX	**(412,821)**	**(21,738)**	**(391,083)**	**1799.1%**	**(49,299)**	**(363,522)**	**737.4%**	**209,372**
FINANCIAL POSITION ($)								
Total Assets	65,625,064	64,617,974	1,007,090		60,940,005	4,685,059		64,609,205
Debt	26,000,000	25,600,000	400,000		20,850,000	5,150,000		25,400,000
Shareholders Funds	33,509,881	32,777,892	731,989		33,179,752	330,129		33,008,995
FINANCIAL METRICS								
Return on Equity	-1.2%	0.1%			-0.1%			0.6%
Net Gearing Ratio	43.7%	43.9%			38.6%			43.5%
Shareholders Funds/Total Net Assets	51.1%	51.5%			54.4%			51.9%

The financial statements have not been subject to an audit and should be read in conjunction with acoompanying Accounting Policies and Notes to the Financial Statements

Hawkes Bay Airport Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	HBAL Unaudited 6 months to 31 Dec 21	HBAL Unaudited 6 months to 31 Dec 20	HBAL Audited Year to 30 Jun 21
Aeronautical	1,865,535	1,731,608	3,933,817
Ground Transport	745,758	813,707	1,811,959
Business Park	207,420	205,923	402,768
Other Revenue	193,038	107,542	512,664
Total Revenue	**3,011,752**	**2,858,781**	**6,661,208**
Less Operating Expenses	**(1,817,912)**	**(1,453,534)**	**(2,905,675)**
Operating Profit Before Financing Costs and Depreciation	**1,193,840**	**1,405,247**	**3,755,532**
Depreciation	(1,431,073)	(1,201,653)	(2,386,284)
Impairment Reversal/(Charge)	-	-	-
Gain/(Loss) on asset disposal	2,000	-	(44,337)
Finance Income	-	25	25
Finance Expense	(238,530)	(174,903)	(342,103)
Net Profit before income tax	**(473,764)**	**28,717**	**982,833**
Income Tax Expense	60,943	(78,016)	(427,519)
Net Profit after income tax	**(412,821)**	**(49,299)**	**555,314**
Items that will not be reclassified into profit or loss:			
Revaluation of Property, Plant & Equipment, net of deferred tax	-	-	**-**
Deferred tax on revaluation	-	-	**138,336**
Total Comprehensive Income	**(412,821)**	**(49,299)**	**693,650**

The financial statements have not been subject to an audit and should be read in conjunction with accompanying Accounting Policies and Notes to the Financial Statements

Hawkes Bay Airport Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	HBAL Unaudited 6 months to 31 Dec 21	HBAL Unaudited 6 months to 31 Dec 20	HBAL Audited Year to 30 Jun 21
Equity at beginning of year	**33,922,701**	**33,229,051**	**33,229,051**
Profit for the period	(412,821)	(49,299)	555,314
Revaluation of Property, Plant & Equipment	-	-	-
Movement in deferred tax on revaluation reserve	-	-	138,336
Total comprehensive income	**(412,821)**	**(49,299)**	**693,650**
Distributions to shareholders	-	-	-
Movement in equity for the period	**(412,821)**	**(49,299)**	693,650
Closing Equity	**33,509,881**	**33,179,752**	**33,922,701**

The financial statements have not been subject to an audit and should be read in conjunction with accompanying Accounting Policies and Notes to the Financial Statements

Hawkes Bay Airport Limited
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	HBAL Unaudited 6 months to 31 Dec 21	HBAL Unaudited 6 months to 31 Dec 20	HBAL Audited Year to 30 Jun 21
Assets				
Trade and other receivables		630,688	687,294	924,671
Cash and cash equivalents		404,865	544,532	420,234
Total current assets		**1,035,552**	**1,231,826**	**1,344,905**
Property plant and equipment	2	59,613,581	54,469,786	58,181,256
Investment property	3	4,741,647	4,879,659	4,822,594
Intangibles		92	669	383
Right of use assets		234,191	358,065	296,638
Total non-current assets		**64,589,511**	**59,708,179**	**63,300,870**
Total assets		**65,625,064**	**60,940,005**	**64,645,775**
Equity				
Issued Capital		13,789,155	13,789,155	13,789,155
Retained Earnings		9,011,363	8,325,514	9,424,184
Revaluation reserve		10,709,363	11,065,083	10,709,363
Total equity		**33,509,881**	**33,179,752**	**33,922,701**
Liabilities				
Trade and other payables		536,039	838,152	1,566,699
Employee entitlements		84,863	80,737	116,620
Provision for retentions payable		254,389	171,102	225,697
Provision for tax		(93,537)	145,883	365,469
Borrowings	4	3,000,000	-	-
Lease Liabilities		117,600	106,097	108,371
Total current liabilities		**3,899,354**	**1,341,970**	**2,382,856**
Deferred tax liability		4,200,381	4,322,357	4,205,952
Rentals in advance		871,329	984,208	927,308
Borrowings	3	23,000,000	20,850,000	23,000,000
Lease Liabilities		144,119	261,717	206,958
Total non-current liabilities		**28,215,829**	**26,418,283**	**28,340,218**
Total liabilities		**32,115,183**	**27,760,253**	**30,723,073**
Total equity and liabilities		**65,625,064**	**60,940,005**	**64,645,775**

The financial statements have not been subject to an audit and should be read in conjunction with accompanying Accounting Policies and Notes to the Financial Statements

Hawkes Bay Airport Limited
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	HBAL Unaudited 6 months to 31 Dec 21	HBAL Unaudited 6 months to 31 Dec 20	HBAL Audited Year to 30 Jun 21
Cash flows from operating activities			
Cash was provided from:			
Revenues	3,006,298	2,782,896	6,517,429
Interest Received	-	25	25
	3,006,298	2,782,921	6,517,454
Cash was disbursed to:			
Suppliers and Employees	(1,458,482)	(1,472,768)	(3,100,254)
Goods & Services Tax (Net)	97,686	19,491	(12,848)
Interest Paid	(305,041)	(202,252)	(479,489)
Income Tax Paid	(403,632)	(351)	(108,339)
	(2,069,469)	(1,655,880)	(3,700,930)
Net cash flows from operating activities	**936,829**	**1,127,041**	**2,816,524**
Cashflows from Investing activities			
Cash was provided from:			
Sale of fixed assets	-	-	-
Cash was disbursed to:			
Capital Works	(3,898,588)	(3,381,869)	(7,311,166)
Net cash flows from investing activities	**(3,898,588)**	**(3,381,869)**	**(7,311,166)**
Cashflows from financing activities			
Cash was provided from:			
Borrowings	3,000,000	2,588,238	4,738,238
Cash was disbursed to:			
Dividends Paid	-	-	-
Lease payments	(53,610)	(70,696)	(105,181)
Debt Repayment	-	-	-
Net cash flows from finance activities	**2,946,390**	**2,517,543**	**4,633,057**
Net increase/(decrease) in cash and cash equivalents	**(15,369)**	**262,714**	**138,416**
Add Opening Cash brought forward	420,234	281,818	281,818
Closing cash and cash equivalents	**404,865**	**544,532**	**420,234**

The financial statements have not been subject to an audit and should be read in conjunction with accompanying Accounting Policies and Notes to the Financial Statements

HAWKE'S BAY AIRPORT LIMITED
NOTES TO THE ACCOUNTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

1 SIGNIFICANT TRANSACTIONS AND EVENTS IN THE REPORTING PERIOD

COVID-19

In March 2020, the World Health Organisation declared the outbreak of COVID-19 as a pandemic. Both globally and in New Zealand, international border closures, domestic lockdowns and ongoing travel restrictions due to COVID-19 have had an immediate, dramatic and now ongoing, impact on airlines, air services, airport traffic and therefore revenues for those in the industry. Initally HBAL management moved swiftly to preserve the cash position of the business by implementing a recovery plan that amongst other factors significantly reduced the cost base, deferred non-essential capital expenditure and accessed all available Government subsidies. The purpose of those actions was to offset as much of the reduction in revenue as possible, while still being able to operate safely to the required CAA standards and provide needed services for airport users.
Throughout the 2021 year Hawkes Bay Airport remained focused on achieving its strategic goals, albeit within the context of navigating the recovery cycle from the effects of COVID-19.
During 2021 the demand for air travel within New Zealand rebounded quicker than originally forecast, with air traffic capacity reaching around 90% of pre-Covid-19 levels by mid year. However, a return to a nationwide COVID-19 Level 4 lockdown in August 2021 highlighted that the Group remained vulnerable to Covid-19 related impacts.
2022 has begun with New Zealand being placed into the "red traffic light setting" of the Government Covid Protection Framework and although the airport is operational under this setting, there is significant travel hesitancy and accordingly a reduced airline flight schedule.
This latest change highlights that the Group continues to be vulnerable to Covid-19 related impacts, Accordingly, the Group has a robust operational and financial planning framework in place that considers future scenarios and likely outcomes. This framework assists the board and management to respond rapidly to changes in operating conditions, and when necessary take additional steps to quickly minimise costs and capital expenditure in a considered way.

2 PROPERTY, PLANT AND EQUIPMENT

	Land & Land Improvements	Airport Infrastructure & Buildings	Other assets	Capital Work in Progress	Total
At 30 June 2021					
Fair Value	6,080,725	38,914,054	2,840,091	13,653,314	**61,488,183**
Accumulated depreciation	966	1,899,019	1,406,942	0	**3,306,927**
	6,079,759	37,015,034	1,433,148	13,653,314	**58,181,256**
Opening net book value	6,079,759	37,015,034	1,433,148	13,653,314	**58,181,256**
Additions	0	0	508,442	2,205,399	**2,713,841**
Disposals	0	0	0	0	**0**
Revaluation	0	0	0	0	**0**
Depreciation	487	1,155,829	125,200	0	**1,281,516**
Transfers	0	12,514,037	0	(12,514,037)	**0**
Closing net book value	**6,079,272**	**48,373,243**	**1,816,390**	**3,344,676**	**59,613,581**
At 31 December 2021					
Fair Value	6,080,725	51,428,091	3,348,533	3,344,676	**64,202,024**
Accumulated depreciation	1,452	3,054,849	1,532,142	0	**4,588,443**
	6,079,272	**48,373,243**	**1,816,390**	**3,344,676**	**59,613,581**

3 INVESTMENT PROPERTY

	Land & Land Improvements	Business Park Infrastructure & Buildings	Capital Work in Progress	Total
At 30 June 2021				
Cost	2,899,688	3,000,830	167,964	**6,068,482**
Accumulated depreciation	204,128	1,041,760		**1,245,889**
	2,695,560	1,959,070	167,964	**4,822,594**
Opening net book value	2,695,560	1,959,070	167,964	**4,822,594**
Additions	-	-	-	**-**
Disposals				**-**
Depreciation	16,948	63,999		**80,947**
Closing net book value	**2,678,612**	**1,895,071**	**167,964**	**4,741,647**
At 31 December 2021				
Cost	2,899,688	3,000,830	167,964	**6,068,482**
Accumulated depreciation	221,076	1,105,759	-	**1,326,835**
	2,678,612	**1,895,071**	**167,964**	**4,741,647**

4 BORROWINGS

The Group refinanced its debt funding facilities during the half year to 31 December 2021 and presently has a Sustainability Linked Loan facility of $23m; Revolving Credit facility up to $5m and Overdraft facility up to $500,000 available with the ASB Bank.
At 31 December 2021 the Group had $3m drawn against the Revolving Credit facility which is reported as a current liability. The sustainability linked loan balance of $23m is reported as a non-current liability.
The sustainability linked loan facility has a three year term with an evergreen clause included in the facility agreement.
The average interest rate on the loan facility for the six month period to 31 December was 2.31% p.a (FY21; 2.16%)
The revolving credit facility has a two year term and the average interest rate on funds drawn during the period to 31 December was 1.81% (FY21: 1.57%)
The facilities are secured by a General Security Agreement.

Hawke's Bay Airport Limited Group

Accounting Policies

For the period ended 31 December 2021

Significant accounting policies

Reporting Entity

Hawke's Bay Airport Limited is a company incorporated in New Zealand under the Companies Act 1993 and is owned by the Crown: 50%, Napier City Council: 26%, Hastings District Council: 24%.

The Company is domiciled in New Zealand and its principal place of business is 111 Main North Road, Westshore, Napier. The company operates the Hawke's Bay Airport.

Hawke's Bay Airport Limited is defined as a Council-controlled organisation pursuant to Part 5 of the Local Government Act 2002.

Statement of Compliance

The financial statements have been prepared as required by the Local Government Act 2002 and in accordance with all applicable financial reporting standards and other generally accepted accounting practices in New Zealand. They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate to profit oriented entities applying the Reduced Disclosure Regime.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Hawke's Bay Airport Limited and its wholly owned subsidiary, Hawke's Bay Airport Construction Limited (the Group).

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances and transactions are eliminated in preparing the consolidated financial statements.

Measurement Base

The financial statements have been prepared on a going concern basis in accordance with historical cost concepts as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

Presentation Currency

These Financial Statements are presented in New Zealand dollars ($), which is the functional currency of the Group, rounded to the nearest dollar.

Critical Accounting Estimates, Assumptions and Judgments

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical estimates are included in the impairment assessment of Investment Property, and in the assessment of the recoverable amounts of Capital Work in Progress and the fair value of Property, Plant and Equipment., the calculation of disposal of demolished terminal assets and the fair value of Property, Plant and Equipment. Management has exercised its judgement on the selection of depreciation rates, the classification of financial assets and the masterplan asset, in addition to the timing of capitalisation of interest.

Particular accounting policies

Revenues

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of Goods and Services Tax (if applicable), returns, rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and when specific criteria have been met for each of the Group's activities. Revenues consist mainly of landing charges, car parking fees, terminal and leased land rentals and concessions. Lease income is recognised on a straight-line basis over the term of the lease.

Trade and Other Receivables

Trade and other receivables are stated at net realisable value after provision for doubtful debts.

Taxation

Income tax expense

Income tax on profits for the period comprises current tax, deferred tax and any adjustment for tax payable in previous periods. Income tax is recognised in profit or loss as tax expense except when it relates to items credited directly to equity, in which case it is recorded in other comprehensive income.

Current tax

Current tax is the expected tax payable on the income for the period based on tax rates and tax laws which are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax arises by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the equivalent amounts used for tax purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the assets or liabilities giving rise to them are realised or settled.

Deferred tax assets, including those related to the tax effect of income tax losses available to be carried forward are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be realised. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Cash Flow Statement

The following definitions have been used for the preparation of the Statement of Cash Flows:

Cash and Cash equivalents: Cash and cash equivalents are cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Operating activities: Transactions and other events that are not investing or financing activities.

Investing activities: Activities relating to the acquisition, holding and disposal of non-current assets and of investments, such as securities, not falling within the definition of cash.

Financing activities: Activities which result in changes in the size and composition of the capital structure of the Group, both equity and debt not falling within the definition of cash.

Property, Plant and Equipment

Property, Plant and Equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs. Subsequent to initial recognition, land and land improvement and airport infrastructure and buildings are carried at fair value less accumulated depreciation and accumulated impairment losses. Capital work in progress is carried at cost and transferred to another category as assets are completed. Other assets are recorded at cost less accumulated depreciation and accumulated impairment losses.

Any revaluation increment is credited to the revaluation reserve and included in other comprehensive income, except to the extent that it reversed a previous decrease of the same asset previously recognised within net profit in the statement of comprehensive income, in which case the increase is recognised within net profit in the statement of comprehensive income.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and the depreciation based on the original cost is transferred from the revaluation reserve to retained earnings.

Property, plant and equipment comprises airfield and other infrastructure, car parks, buildings and equipment.

Assets under construction

The cost of assets under construction is recorded at incurred cost as at balance date.

Disposal of property plant and equipment

When an item of plant property and equipment is disposed of any gain or loss is recognised in the profit or loss calculated at the difference between the sale price and the carrying value of the asset.

Cyclical maintenance upgrades

Significant expenditure involving renewal of runway surface components is capitalised and subject to depreciation at the appropriate rates.

Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, including transaction costs. Costs include all expenditure relating to infrastructure development and construction. Investment property is recorded as cost less accumulated depreciated using the cost model allowed under NZ IAS 40. Investment properties include all aspects of the Ahuriri Aero Park development adjacent to the airport.

Depreciation

Depreciation is charged on a straight-line basis to write off the cost or value of property, plant and equipment and investment property over their expected economic lives.

The principal depreciation rates are as follows:

Airfield Infrastructure:	**0.71% to 5.56%**
Surface	6.67% to
Business Park	0.00% to
Buildings	2.50% to
Plant & Equipment	2.90% to
Car Park & Roading	1.67% to 5.00%
Fencing	5.00% to
Lighting	4.00% to
Furniture & Fittings	10.00%
Motor Vehicles	12.50%
Office Equipment	30.00%

Intangibles

Intangibles comprise computer software that is not an integral part of the related hardware. This software has either been purchased or developed internally and is initially recorded at cost. Subsequent costs are included in the software's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of maintaining the software are charged to profit or loss. Software is amortised over three years using the straight-line method.

Financial Instruments Recognition and Measurement

Financial assets

The Group classifies its financial assets in the following categories: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) or amortised cost. The classification depends on the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. At balance date, the Group had financial assets classified only as amortised cost.

Amortised cost

Financial assets at amortised cost have contractual terms that give rise to cash flow on specified dates that are solely principal and interest and are held within a business model whose objective is to hold assets in order to collect those contractual cash flows.

The Group's amortised cost financial assets comprise of cash and cash equivalents and accounts receivable.

Purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed.

After initial recognition, amortised cost financial assets are carried at amortised cost using the effective interest method, less impairment.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation. Trade payables and borrowings are classified as financial liabilities.

Impairment Testing of Assets

At each reporting date, the Group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

GST

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability in accordance with NZ IFRS 16, except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to access that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated based on a termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove, or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in the profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in the profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it allocates any amount of the contractual payments to, and accounts separately for, any services provided by the supplier as part of the contract.

Changes in Accounting Policies

There have been no changes in accounting policies during the six month period ended 31 December 2021.